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September 18, 1996

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EX PARTE

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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SEP 18 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: In the Matter of Federal-State Joint Board on Universal Service
CC Docket No. 96-45

Dear Mr. Caton:

In accordance with the Commission's rules regarding ex parte presentations, please be advised that today John Schrottenboer and Glen Sims, representing Southwestern Bell Telephone Company (SWBT), met with Commissioner Julia Johnson of the Florida Public Service Commission. The purpose of the meeting was to discuss SWBT's stated positions in the above-referenced docket.

Written materials, which were used during the presentation, are attached to this letter for inclusion into the official record in this docket. Pursuant to Section 1.1206(a)(1) of the Commission's rules, 47 C.F.R. § 1.1206(a)(1), two copies of this letter and the supporting materials are provided for your use.

Should you have any questions concerning the foregoing, do not hesitate to contact me.

Sincerely,

Attachment

cc: The Honorable Julia Johnson (w/o attachment)
Ms. Kathleen B. Levitz (w/ attachment)
Mr. John Stroman Morabito (w/ attachment)
Ms. Anna M. Gomez (w/ attachment)

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SOUTHWESTERN BELL TELEPHONE COMPANY

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**COMPREHENSIVE
FEDERAL AND STATE
UNIVERSAL SERVICE PLAN**

**Florida Presentation
Tallahassee
September 18, 1996**

INDEX

TAB 1 Definition of Universal Service.

TAB 2 Why are we concerned?

- The current basis of Universal Service support.
- Carrier of last resort obligations remain.
- Without change, further competitive entry risks ability to maintain Universal Service.

TAB 3 Proxy cost quantification alternatives are inappropriate and unnecessary.

TAB 4 SWBT's Comprehensive Federal/State Plan.

- Jurisdictional responsibility.
- Eligibility and qualification criteria.
- Universal Service area.
- Federal plan.
- Intrastate plans.

TAB 5 Other Issues.

- Competitive bidding is inappropriate and harmful.



UNIVERSAL SERVICE DEFINITION

Widely available basic telephone service at reasonable rates. This obligation requires the deployment of a telecommunications network for use by the general public to accomplish two-way switched voice communication within and beyond a local calling area. This universal service connectivity is provided by loop, switch and interoffice facilities and meets provider of last resort requirements. Basic services provided are:

- Voice grade access to the public switched network with the ability to place and receive calls (includes loop, local switching and local interoffice transport).
- Touch-tone.
- Single-party residential and business local service.
- Access to emergency services (911/E911).
- Access to basic operator services.
- Standard white page directory listing.
- Access to basic local directory assistance.

FACILITIES WHICH CONNECT CUSTOMERS ARE THE BACKBONE OF UNIVERSAL SERVICE

1. The cost of the universally available network varies substantially geographically.
2. The sources of revenue to recover the network cost are:
 - Local exchange.
 - Support from toll, access and other services.
3. Carrier of last resort obligations remain with the incumbent LEC:
 - For existing customers.
 - Significant additional competition is not expected to be facilities-based, but through resale of service or unbundled facilities. The incumbent LEC still provides carrier of last resort facilities.
4. Without changes, further competitive entry, primarily in urban markets, will destroy the basis of support and put at risk the ability to maintain Universal Service.
 - New local entry is targeted primarily at urban areas.
 - FCC Interconnection Order effectively eliminates the ability to support the local exchange network with usage-based access revenues.

SUMMARY OF ESTIMATED ACTUAL SUPPORT WHICH MAY BE LOST DUE TO FURTHER COMPETITION AND THE FCC INTERCONNECTION ORDER

Florida

	<u>Total</u>	<u>Interstate</u>	<u>State</u>
1. Support from other (primarily toll and access) services to maintain reasonable local rates.	\$1.252B		Not Analyzed
2. Amounts within average toll rates to support reasonable rate levels in high cost areas.		Not Analyzed	
3. Amounts within average access rates to support reasonable rate levels in high cost areas.		Not Analyzed	
4. Support within local services			
- Business to Residence		Not Analyzed	
- Vertical Svcs to Basic Svcs		Not Analyzed	

Florida

Study Area Code	Type Company	Study Area Name	Common Control Name	USF Loops (a)	Estimated ***				
					Total Regulated Costs (b)	Local Exchange Costs (c)	Local Costs Per Lp/Mo (d=c/a/12)	Local Revenues ** Per Lp/Mo (e)	Support Per Lp/Mo (f=d-e)
210291	C	FLORALA TELEPHONE COMPANY- FLORIDA	ST. JOSEPH TELEPHONE &	*					
210318	C	FRONTIER COMMUNICATIONS OF THE SOUTH, INC.	FRONTIER CORPORATION	3,444	2,384,347	1,973,947	47.76	27.88	19.89
210328	C	GTE FLORIDA INCORPORATED	GTE CORPORATION	1,838,910	1,214,072,370	1,055,978,255	47.85	32.63	15.22
210329	C	GULF TEL. CO.- FL	ST. JOSEPH TELEPHONE &	8,047	5,246,464	4,625,847	47.90	26.96	20.95
210330	C	Vista-United Telecommunications		10,242	10,760,913	8,499,720	69.16	10.87	58.29
210331	C	Indiantown System		2,945	3,742,481	2,707,040	76.60	49.05	27.55
210335	C	N.E. Florida Telephone Co. Inc.		6,495	5,984,200	4,739,823	60.81	39.35	21.46
210336	C	ALLTEL Florida Inc.	ALLTEL Corporation	62,253	44,360,621	36,769,267	49.22	28.06	21.16
210338	C	QUINCY (FL)	TDS	10,609	7,489,430	5,715,325	44.89	29.88	15.02
210339	C	St. Joseph Telephone & Telegraph Company	St. Joe Communications, Inc.	24,971	20,371,396	16,137,930	53.86	26.92	26.93
210340	C	Central Telephone Co. of Florida	Sprint Corp.	322,974	216,650,851	169,381,692	43.70	28.08	15.62
210341	C	United Telephone Co. of Florida	Sprint Corp.	1,212,639	751,088,970	582,568,886	40.03	26.45	13.58
215191	C	SOUTHERN BELL - FLORIDA	BELLSOUTH, INC.	5,073,382	3,194,293,248	2,618,750,263	43.01	32.85	10.17
Total				8,576,911	5,476,445,291	4,507,847,995	43.80	31.64	12.16

* Insufficient Information.

** Includes Federal USF support.

*** Based on the following 1993 data sources: USF data, Joint Board Data Request, ARMIS data, Monitoring Report for Traffic Data (DEM), and REA Financial Data.

**ESTIMATED ACTUAL SOUTHERN BELL
FLORIDA COSTS DISTRIBUTED TO
WIRE CENTERS USING BCM2 PROXY COSTS**

CLLI	Proxy - BCM2 per Line, per Mo.	TOTAL SOUTHERN BELL Florida ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
ARCHFLMAR	\$50.60	\$73.12	\$2,416,778
BCRTFLBBR	\$25.22	\$36.45	\$18,469,913
BCRTFLMAH	\$25.02	\$36.15	\$17,402,773
BCRTFLSAS	\$31.56	\$45.60	\$23,523,641
BGPIFLMAR	\$53.38	\$77.14	\$3,269,157
BKVLFLJFH	\$38.91	\$56.23	\$14,288,136
BLDWFLMAR	\$50.97	\$73.65	\$2,274,993
BLGLFLMAH	\$31.12	\$44.97	\$6,176,117
BNNLFLMAR	\$55.16	\$79.71	\$3,191,031
BRSNFLMAR	\$63.59	\$91.88	\$2,836,160
BYBHFLMAS	\$26.97	\$38.98	\$24,520,857
CCBHFLAFR	\$25.16	\$36.36	\$3,606,238
CCBHFLMAH	\$27.56	\$39.82	\$7,764,794
CDKYFLMAR	\$77.01	\$111.28	\$1,267,001
CFLDFLMAR	\$51.92	\$75.02	\$2,994,764
CHPLFLJAH	\$40.53	\$58.56	\$3,512,188
CNTMFLLEH	\$34.32	\$49.59	\$6,283,840
COCOFLMAS	\$29.15	\$42.12	\$20,116,507
COCOFLMES	\$30.32	\$43.81	\$13,526,614
COCYFL13S	\$23.02	\$33.26	\$8,636,743
CSCYFLBAR	\$64.20	\$92.77	\$4,009,360
DBRYFLDLH	\$29.28	\$42.31	\$7,518,209
DBRYFLMAR	\$33.22	\$48.01	\$6,401,707
DELDFLMAH	\$29.55	\$42.70	\$14,323,196
DLBHFLKPS	\$28.36	\$40.98	\$19,243,924
DLBHFLMAS	\$26.99	\$39.00	\$13,643,234
DLSPFLMAR	\$36.65	\$52.96	\$3,489,493
DNLNFLWMR	\$46.86	\$67.71	\$7,107,545
DRBHFLMAS	\$26.56	\$38.38	\$31,656,714
DYBHFLFNR	\$29.22	\$42.22	\$8,166,271
DYBHFLMAS	\$25.34	\$36.62	\$17,726,557
DYBHFLOBS	\$29.27	\$42.29	\$13,348,138
DYBHFLOSS	\$32.30	\$46.68	\$4,864,512
DYBHFLPOH	\$30.43	\$43.97	\$23,178,459
EGLFLBGS	\$26.24	\$37.92	\$18,334,536
EGLFLIHS	\$29.49	\$42.61	\$10,233,006
EORNFLMAR	\$50.74	\$73.32	\$3,676,153
FLBHFLMAR	\$39.19	\$56.63	\$2,699,464
FRBHFLFPS	\$32.01	\$46.26	\$5,971,191
FTGRFLMAR	\$32.75	\$47.32	\$7,421,084
FTLDFLAPR	\$24.80	\$35.84	\$13,241,684
FTLDFLCRS	\$23.21	\$33.54	\$18,608,794
FTLDFLCYS	\$23.20	\$33.52	\$27,189,409
FTLDFLJAS	\$26.07	\$37.67	\$21,997,556
FTLDFLMRS	\$24.03	\$34.73	\$31,051,005
FTLDFLOAH	\$26.02	\$37.59	\$31,415,596

**ESTIMATED ACTUAL SOUTHERN BELL
FLORIDA COSTS DISTRIBUTED TO
WIRE CENTERS USING BCM2 PROXY COSTS**

CLLJ	Proxy - BCM2 per Line, per Mo.	TOTAL SOUTHERN BELL Florida ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
FTLDFLPLS	\$26.78	\$38.69	\$21,599,992
FTLDFLSGS	\$26.84	\$38.79	\$8,232,705
FTLDFLSUS	\$26.67	\$38.54	\$22,778,155
FTLDFLWNS	\$37.12	\$53.63	\$6,749,878
FTPRFLMAR	\$29.97	\$43.30	\$23,237,026
GCSPFLCNS	\$39.10	\$56.50	\$4,289,092
GCVLFLMAR	\$42.91	\$62.00	\$2,946,545
GENVFLMAR	\$57.69	\$83.37	\$4,126,210
GLBRFLMCS	\$31.63	\$45.70	\$5,785,664
GSVLFLMAS	\$26.54	\$38.35	\$28,838,532
GSVLFLNWH	\$27.82	\$40.20	\$17,608,419
HAVNFLMAS	\$44.78	\$64.70	\$6,294,452
HBSDFLMAS	\$32.49	\$46.95	\$7,433,866
HLNVFLMAS	\$43.45	\$62.78	\$4,141,881
HLWDFLHAS	\$23.95	\$34.61	\$14,210,515
HLWDFLMAS	\$25.78	\$37.26	\$20,699,051
HLWDFLPES	\$29.24	\$42.25	\$30,042,465
HLWDFLWHS	\$27.21	\$39.32	\$32,425,066
HMSTFLEAR	\$33.10	\$47.82	\$7,176,989
HMSTFLMHM	\$35.86	\$51.81	\$6,875,739
HMSTFLNAR	\$45.13	\$65.22	\$21,388,880
HTISFLMAS	\$30.84	\$44.57	\$4,380,242
HWTHFLMAR	\$52.92	\$76.47	\$2,623,321
ISLMFLMAR	\$43.75	\$63.21	\$2,973,442
JAY FLMAR	\$51.23	\$74.02	\$4,081,025
JCBHFLABR	\$30.20	\$43.64	\$7,270,268
JCBHFLMAS	\$26.50	\$38.30	\$9,551,730
JCBHFLSPR	\$31.59	\$45.65	\$1,955,482
JCVLFLARS	\$25.25	\$36.49	\$14,559,378
JCVLFLBWH	\$28.22	\$40.77	\$8,225,732
JCVLFLCLS	\$22.27	\$32.17	\$24,243,909
JCVLFLFCS	\$28.11	\$40.63	\$11,746,517
JCVLFLIAR	\$40.36	\$58.32	\$3,698,358
JCVLFLJTR	\$24.35	\$35.19	\$11,536,299
JCVLFLIFS	\$31.22	\$45.12	\$23,045,150
JCVLFLNOS	\$27.94	\$40.37	\$20,250,288
JCVLFLOWH	\$28.61	\$41.35	\$5,331,328
JCVLFLRVS	\$26.48	\$38.26	\$12,387,060
JCVLFLSJS	\$24.58	\$35.52	\$10,301,469
JCVLFLSMS	\$21.58	\$31.18	\$8,669,429
JCVLFLWCH	\$29.99	\$43.34	\$20,616,449
JPTRFLMAS	\$30.49	\$44.07	\$20,820,904
KYHGFLMAR	\$40.78	\$58.92	\$3,934,503
KYLRFLLSR	\$38.55	\$55.71	\$4,202,374
KYLRFLMAR	\$38.35	\$55.42	\$3,491,375
KYWSFLMAH	\$31.79	\$45.94	\$12,619,430

**ESTIMATED ACTUAL SOUTHERN BELL
FLORIDA COSTS DISTRIBUTED TO
WIRE CENTERS USING BCM2 PROXY COSTS**

CLL	Proxy - BCM2 per Line, per Mo.	TOTAL SOUTHERN BELL Florida ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
LKCYFLMAS	\$39.12	\$56.54	\$11,453,862
LKMRFLABR	\$27.29	\$39.44	\$15,841,132
LKMRFLMAS	\$36.61	\$52.90	\$8,750,580
LYHNFLOHH	\$37.13	\$53.66	\$10,506,911
MCNPFLMAR	\$55.81	\$80.65	\$1,549,191
MDBGFLPMS	\$48.87	\$70.61	\$7,922,259
MIAMFLAER	\$22.37	\$32.33	\$23,351,554
MIAMFLALS	\$22.15	\$32.00	\$10,964,881
MIAMFLAPH	\$21.12	\$30.52	\$5,274,825
MIAMFLBAS	\$21.44	\$30.98	\$10,365,236
MIAMFLBCS	\$21.81	\$31.51	\$11,125,126
MIAMFLBRS	\$19.19	\$27.72	\$19,397,227
MIAMFLCAS	\$27.85	\$40.25	\$32,778,007
MIAMFLFLH	\$21.16	\$30.58	\$15,221,646
MIAMFLGRH	\$17.79	\$25.70	\$17,901,197
MIAMFLHLS	\$25.97	\$37.52	\$49,368,019
MIAMFLICS	\$23.45	\$33.88	\$15,356,963
MIAMFLKES	\$22.70	\$32.81	\$2,375,036
MIAMFLMER	\$18.90	\$27.31	\$6,596,323
MIAMFLNMS	\$25.28	\$36.54	\$18,938,535
MIAMFLNSS	\$23.65	\$34.17	\$17,335,131
MIAMFLOLS	\$25.33	\$36.61	\$10,232,531
MIAMFLPBS	\$22.68	\$32.77	\$16,853,918
MIAMFLPLR	\$21.22	\$30.67	\$25,573,747
MIAMFLRRH	\$24.95	\$36.05	\$23,787,125
MIAMFLSHS	\$26.04	\$37.63	\$17,844,806
MIAMFLSOS	\$27.13	\$39.20	\$29,123,698
MIAMFLWDS	\$37.73	\$54.52	\$43,835,984
MIAMFLWMS	\$25.58	\$36.96	\$17,682,430
MICCFLLBR	\$41.61	\$60.13	\$6,820,093
MLBRFLMAS	\$28.08	\$40.57	\$42,501,692
MLTNFLRAS	\$36.70	\$53.03	\$10,831,562
MNDRFLAVS	\$23.27	\$33.62	\$13,271,545
MNDRFLLOH	\$30.75	\$44.44	\$13,331,430
MNDRFLLR	\$41.43	\$59.86	\$3,389,958
MNSNFLMAR	\$98.64	\$142.53	\$787,186
MRTHFLVER	\$37.29	\$53.88	\$6,835,365
MXVLFLMAR	\$57.48	\$83.06	\$3,064,765
NDADFLACS	\$23.65	\$34.17	\$9,776,694
NDADFLBRS	\$27.14	\$39.22	\$18,907,557
NDADFLGGS	\$25.70	\$37.14	\$19,480,314
NDADFLOLS	\$24.47	\$35.35	\$14,157,258
NKLRFLMAR	\$61.73	\$89.19	\$2,705,743
NSBHFLMAS	\$31.66	\$45.76	\$13,971,651
NWBYFLMAR	\$49.51	\$71.54	\$3,387,365
OKHLFLMAR	\$48.71	\$70.39	\$3,475,660

**ESTIMATED ACTUAL SOUTHERN BELL
FLORIDA COSTS DISTRIBUTED TO
WIRE CENTERS USING BCM2 PROXY COSTS**

CLLI	Proxy - BCM2 per Line, per Mo.	TOTAL SOUTHERN BELL Florida ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
OLTWFLNR	\$61.71	\$89.17	\$2,986,778
ORLDFLAPS	\$30.32	\$43.81	\$30,892,097
ORLDFLCLS	\$25.34	\$36.61	\$23,093,906
ORLDFLMAS	\$21.29	\$30.76	\$28,972,695
ORLDFLPCS	\$24.53	\$35.45	\$25,061,700
ORLDFLPHS	\$24.91	\$35.99	\$39,443,338
ORLDFLSAS	\$26.17	\$37.82	\$9,398,428
ORPKFLMAS	\$28.04	\$40.51	\$9,379,028
ORPKFLRWS	\$32.80	\$47.40	\$12,447,797
OVIDFLCAS	\$27.92	\$40.34	\$35,173,779
PACEFLPVS	\$38.86	\$56.15	\$6,732,487
PAHKFLMAR	\$38.94	\$56.27	\$3,129,203
PCBHFLNTS	\$33.60	\$48.55	\$7,084,385
PLCSFLMAH	\$38.34	\$55.40	\$6,514,087
PLTKFLMAH	\$35.10	\$50.72	\$9,959,326
PMBHFLCSS	\$28.51	\$41.20	\$22,893,052
PMBHFLFES	\$25.13	\$36.31	\$24,543,101
PMBHFLMAR	\$27.02	\$39.04	\$22,355,632
PMBHFLTAH	\$28.72	\$41.49	\$20,419,405
PMPKFLMAR	\$52.37	\$75.68	\$2,368,262
PNCYFLCAS	\$33.13	\$47.87	\$8,972,227
PNCYFLMAS	\$26.51	\$38.31	\$16,716,301
PNSCFLBLS	\$22.86	\$33.03	\$16,340,949
PNSCFLFPS	\$26.15	\$37.79	\$24,482,634
PNSCFLHCS	\$29.99	\$43.34	\$12,304,840
PNSCFLPBS	\$38.43	\$55.54	\$1,683,310
PNSCFLWAS	\$24.58	\$35.52	\$20,462,833
PNVDFLMAS	\$31.87	\$46.05	\$5,254,052
PRRNFLMAS	\$30.37	\$43.89	\$35,002,103
PRSNFLFDR	\$48.03	\$69.41	\$1,873,875
PTSLFLMAH	\$34.74	\$50.20	\$16,508,931
PTSLFLSOS	\$31.66	\$45.75	\$9,269,122
SBSTFLFER	\$62.86	\$90.83	\$3,025,906
SBSTFLMAH	\$34.78	\$50.25	\$6,135,858
SGKYFLMAR	\$60.11	\$86.86	\$3,344,755
SNFRFLMAH	\$26.77	\$38.68	\$11,473,805
STAGFLBSR	\$36.44	\$52.66	\$4,329,564
STAGFLMAH	\$29.99	\$43.34	\$11,953,325
STAGFLSHR	\$36.24	\$52.37	\$6,150,757
STRTFLMAS	\$29.26	\$42.27	\$23,903,047
SYHSFLCCR	\$70.47	\$101.84	\$1,445,515
TRENFLMAR	\$51.25	\$74.05	\$4,009,354
TTVLFLMAS	\$29.59	\$42.75	\$21,828,095
VERNFLMAR	\$61.79	\$89.29	\$1,887,955
VRBHFLBER	\$30.54	\$44.13	\$5,158,625
VRBHFLMAH	\$30.95	\$44.73	\$23,655,659

**ESTIMATED ACTUAL SOUTHERN BELL
FLORIDA COSTS DISTRIBUTED TO
WIRE CENTERS USING BCM2 PROXY COSTS**

CLLI	Proxy - BCM2 per Line, per Mo.	TOTAL SOUTHERN BELL Florida ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
WELKFLMAR	\$54.04	\$78.09	\$1,845,221
WPBHFLANR	\$23.97	\$34.64	\$22,323,057
WPBHFLGAS	\$28.77	\$41.57	\$39,843,453
WPBHFLGRS	\$27.98	\$40.43	\$18,709,343
WPBHFLHHR	\$26.88	\$38.84	\$22,089,890
WPBHFLLES	\$27.24	\$39.37	\$19,312,151
WPBHFLRBS	\$26.22	\$37.89	\$18,165,719
WPBHFLRPH	\$34.72	\$50.17	\$18,082,717
WWSPFLHIH	\$34.04	\$49.19	\$10,842,905
WWSPFLSHS	\$31.29	\$45.21	\$11,765,292
YNFNFLMAR	\$75.68	\$109.35	\$2,873,847
YNTWFLMAR	\$52.64	\$76.06	\$3,006,874
YULEFLMAR	\$46.78	\$67.59	\$3,872,571
AVERAGE	\$27.91	\$40.33	\$2,618,750,263

Ratio - Actual to BCM2 Costs

145%

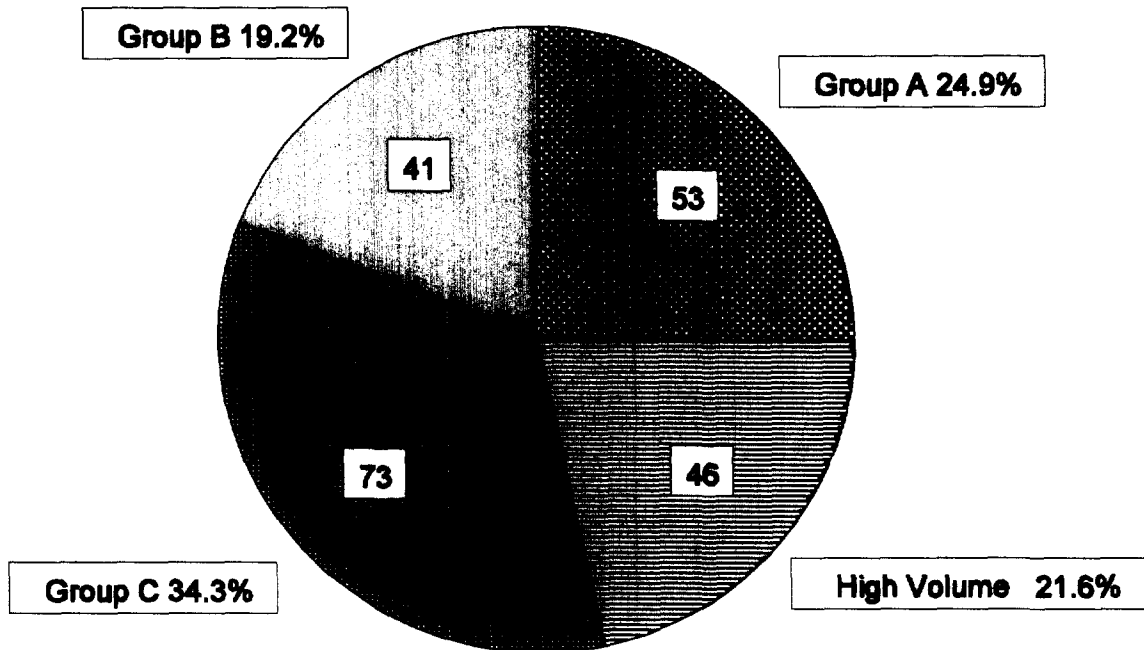
* Proxy cost times ratio of Average Actual to Average BCM2

SUMMARY OF ESTIMATED ACTUAL SUPPORT WHICH MAY BE LOST DUE TO FURTHER COMPETITION AND THE FCC INTERCONNECTION ORDER

	<u>Nationwide</u>			<u>Southwestern Bell</u>		
	<u>Total</u>	<u>Interstate</u>	<u>State</u>	<u>Total</u>	<u>Interstate</u>	<u>State</u>
1. Support from other (primarily toll and access) services to maintain reasonable local rates.	\$18.1B	Not Analyzed		\$1,536M	\$315M	\$1,221M
2. Amounts within average toll rates to support reasonable rate levels in high cost areas.		Not Analyzed		\$143M	\$0	\$143M
3. Amounts within average access rates to support reasonable rate levels in high cost areas.		Not Analyzed		\$345M	\$215M	\$130M
4. Support within local services		Not Analyzed			Not Analyzed	
- Business to Residence		Not Analyzed				
- Vertical Svcs to Basic Svcs		Not Analyzed		\$914M	\$0	\$914M

SWBT - Missouri Service Areas

213 End Office Wire Centers



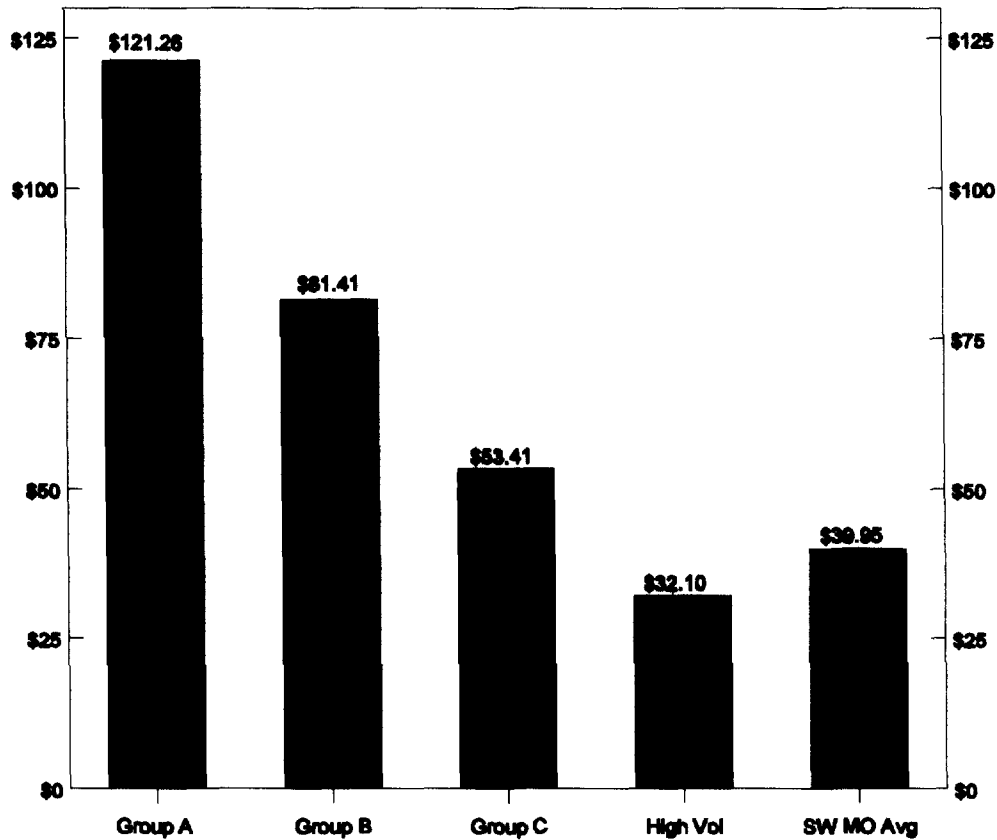
Low Volume - Group A - Under 1,000 Lines
- Group B - Under 2,500, Over 1,000 Lines
- Group C - Over 2,500 Lines
High Volume (HV) - Over 50M Toll and Access MOU

The majority of areas (wire centers) that SWBT serves are low volume, primarily mid-size and small towns and rural areas.

1993 Wire Center Study Data

SWBT - Missouri

Geographic Costs To Provide Local Exchange Network



WIRE CENTER GROUPS

	Low Volume			High Vol	Total/ Average
	Group A	Group B	Group C		
Number of Wire Centers	53	41	73	46	213
Households per sq mile	8	14	40	436	75
Toll/Access MOU	2%	3%	22%	73%	100%

NOTE: An updated 1995 Study Area Cost Study average cost per access line is \$38.76.

1993 Wire Center Study Data

GEOGRAPHIC COSTS TO PROVIDE LOCAL EXCHANGE NETWORK

- Actual costs to serve vary substantially by geographic area.
- It is more costly to serve low density (largely rural) areas than high density, high volume (largely metro) areas.
- A substantial share of total local exchange costs (\$989M) are devoted to providing service in non-urban areas (\$415M, or 42%).
- Carrier of Last Resort obligations, in particular maintaining capacity needed to serve any reasonable service request have contributed substantially to network costs.
- Highest usage volumes are concentrated in metro areas - 73% in high volume areas.

SWBT ACTUAL COSTS ARE REASONABLE

- SWBT has efficiently deployed investments to provide quality service to both urban and rural customers over many years.
- SWBT's deployment of infrastructure is devoted to upgrading the basic network for residence and business customers.
- The following assertions are wrong and without basis in fact:
 - (a) SWBT has systematically over-invested.
 - (b) SWBT has made poor historical investment decisions.
 - (c) SWBT is deploying its new plant for competitive services, interLATA or video services.
 - (d) SWBT's expenses and investments are overstated due to inefficiencies.
- AT&T and others often make these incorrect assertions, without facts, to support why their proxy models, such as TSLRIC, have investment and expense levels that are approximately 45% less than actual costs.

LOCAL EXCHANGE NETWORK ARE REASONABLE
SWBT - Missouri
1995

	SWBT	SWBT COST %
1		
Direct Facility Invest.		
2 COE	1,099,034,095	
3 C&WF	1,623,530,880	
4 IOT	75,039,189	
5 Operator Systems	10,938,195	
6 TOTAL DIRECT FACILITY INVESTMENT	2,808,542,359	
7 COE Reserves	414,319,730	
8 C&WF Reserves	691,113,305	
9 IOT Reserves	41,755,355	
10 Oper Sys Reserves	3,818,139	
11 COE Deferred Taxes	179,633,813	
12 C&WF Deferred Taxes	126,187,549	
13 IOT Deferred Taxes	9,255,719	
14 Oper Sys Deferred Taxes	1,708,367	
15 TOTAL DIRECT FACILITY RESERVES	1,467,791,976	
16 Net Investment	1,340,750,383	
17 Direct Return and Tax	218,646,859	20.59%
Direct Facility Exp.		
18 COE Maint.	51,501,660	
19 C&WF Maint.	100,644,722	
20 IOT Maint.	24,167,753	
21 OS Maint.	840,582	
22 COE Depreciation	96,900,455	
23 C&WF Depreciation	81,031,311	
24 IOT Depreciation	5,770,891	
25 OS Depreciation	776,697	
26 Network Operations	81,414,395	
27 Property Tax	55,609,139	
28 Total Direct Expense	498,667,806	46.96%
29 Total Direct Cost	717,304,464	67.55%
Customer Service Related Expenses		
30 Customer Service Exp. (1)	58,728,954	
31 Operator Services (1)	24,698,115	
32 Total Customer Services Expenses	83,427,069	7.86%
Network and Service Support Investments		
33 Gen. Sup. Fac. Inv.	857,523,913	
34 Oth. Investment	56,278,361	
35 Gen. Sup.-Def. Taxes	100,090,798	
36 GSF Reserves	255,234,136	
37 Other Reserves	5,938,786	
38 Net Investment	552,538,555	
39 Support Investment Return and Tax	90,106,844	8.49%
Network and Service Support Expenses		
40 Depreciation (GSF)	50,842,095	
41 Amortization	4,785,315	
42 GSF Expenses	(17,567,984)	
43 Other	3,091,945	
44 Other Taxes	11,816,425	
45 Total Support Expenses	52,967,796	4.99%
Common Costs		
46 Marketing	23,279,585	
47 Corporate	94,745,819	
48 Total Common Costs	118,025,404	11.12%
49 Total Costs	1,061,831,577	100.00%

REASONABLE RATES

Irrespective of geographic local exchange cost differences, the current "reasonable" rates for all are supported to a large degree by either explicit support or support flows implicit in the current rate structure. This support:

- Maintains existing SWBT local rate levels - Low: \$7.55
- High: \$12.50
- Maintains existing geographic (urban vs. rural) rates via statewide intraLATA toll and interLATA access rate averaging.

Major supports are composed of:

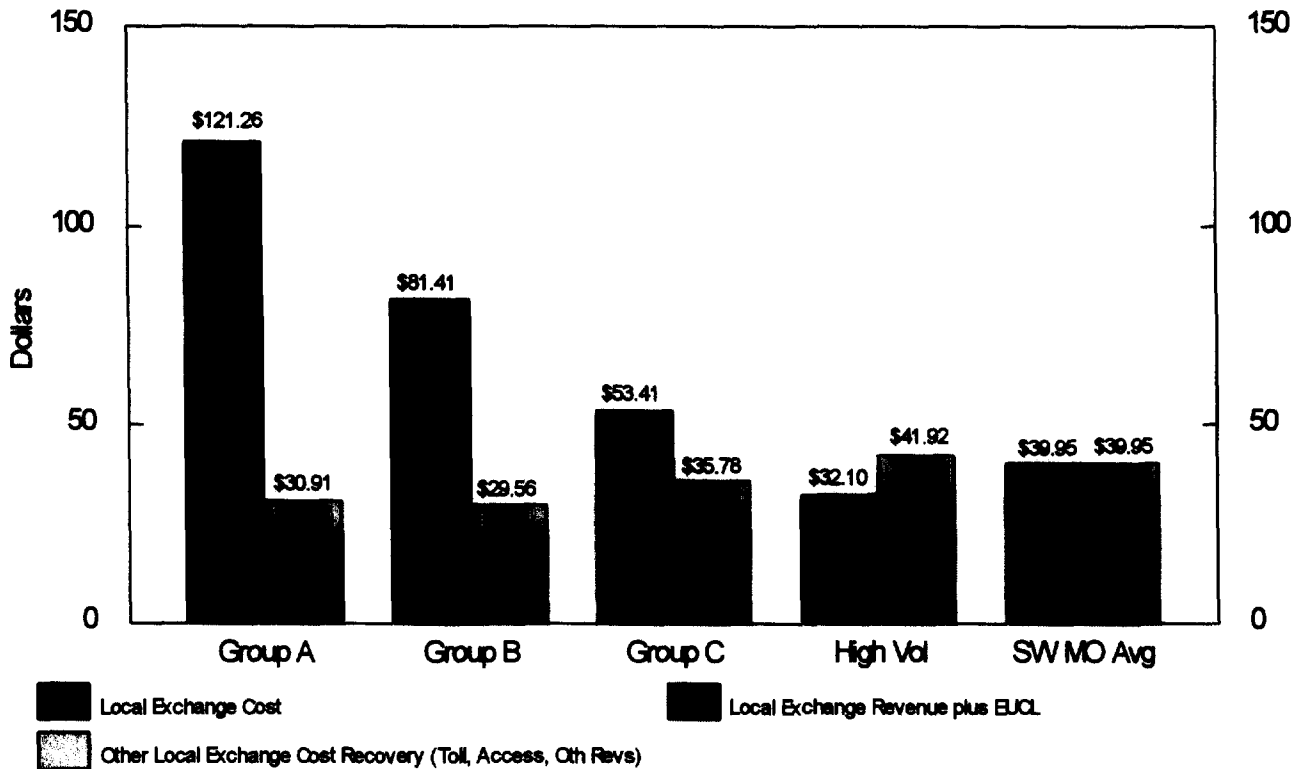
- (1) Implicit - Recovery of local costs from toll, access and other customers.

Missouri	Avg Rev / MOU	Avg Loc Exch Support
Toll	\$ 0.19	\$ 0.09
State Access	\$ 0.11	\$ 0.07

- (2) Explicit - Federal USF
 - Interstate switch recovery
 - Interstate Long Term Support
 - State support funds
 - Lifeline/Linkup

SWBT - Missouri

Local Exchange Costs* and Local Exchange Cost Recovery Per Line Per Month



* Embedded Fully Distributed Cost Analysis

WIRE CENTER GROUPS

	Low Volume			High Vol	Total/ Average
	Group A	Group B	Group C		
Number of Wire Centers	53	41	73	46	213
Households per sq mile	8	14	40	436	75
Toll/Access MOU	2%	3%	22%	73%	100%

Low Volume - Group A - Under 1,000 Lines
 - Group B - Under 2,500, Over 1,000 Lines
 - Group C - Over 2,500 Lines
 High Volume (HV) - Over 50M Toll and Access MOU

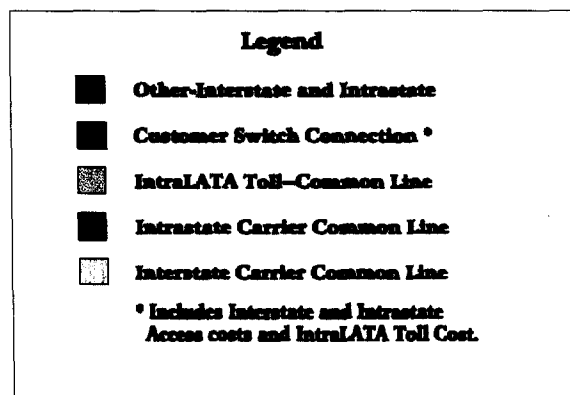
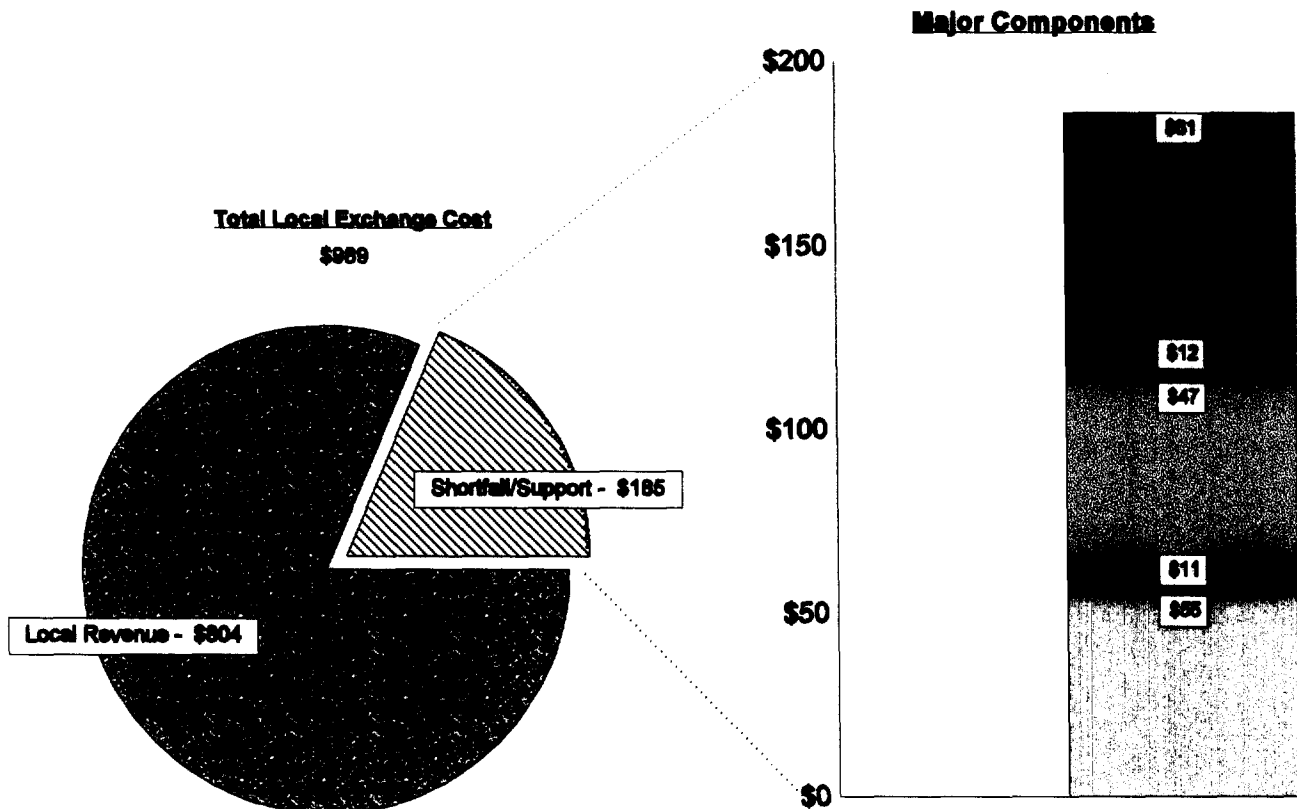
NOTE: An updated 1995 Study Area Cost Study shows Local Exchange cost as \$38.76.

1993 Wire Center Study Data

SWBT -Missouri

Analysis of Major Components of Support To Local Exchange Service

(\$ Millions)

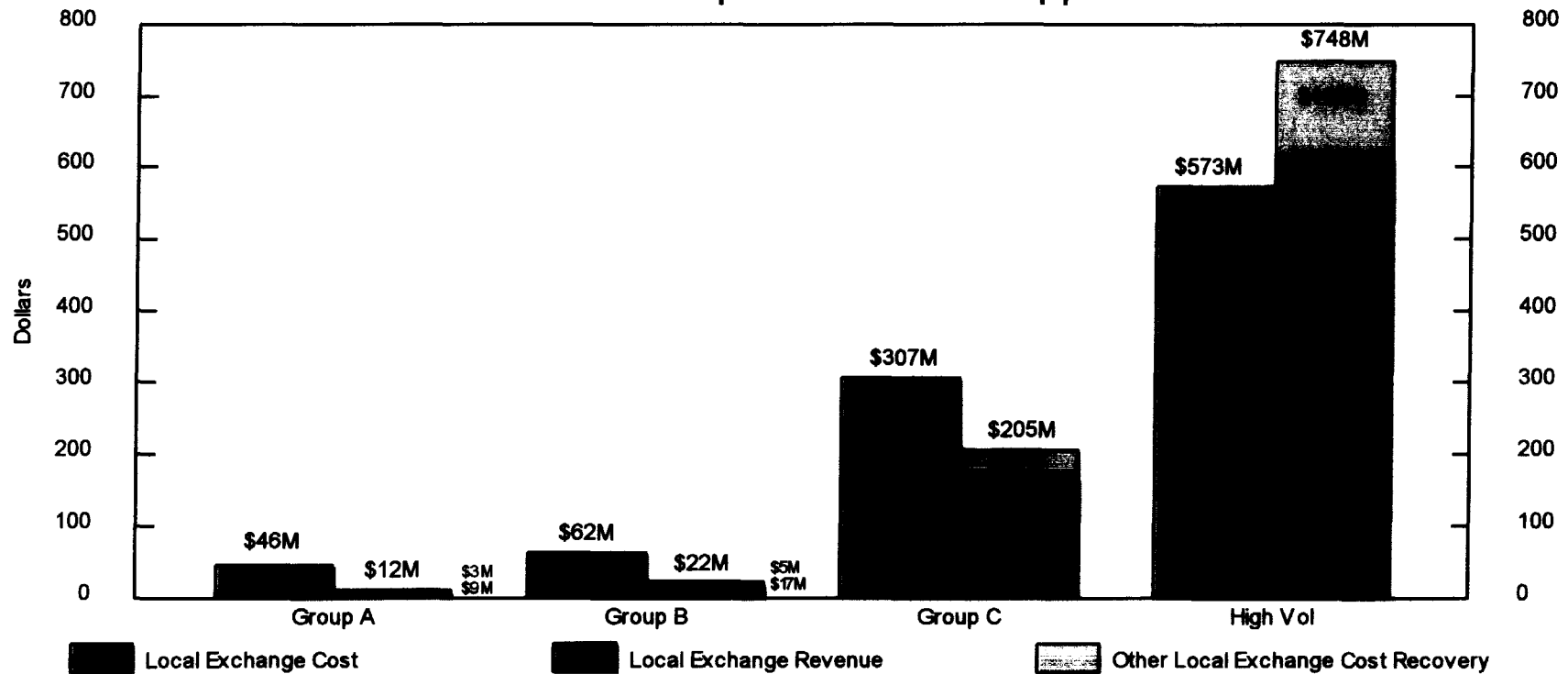


NOTE: An updated 1995 study indicates that this support is now \$205M

1993 Wire Center Study Data

SWBT - Missouri

Which Customer Groups Provide the Support to Local



Analysis of Support Used and Generated to Recover Local Exchange Network Costs

	Support Generated		Support Used	Net Geographic Support
	Toll/Acc/Oth	Local		
High Volume	\$136M	\$40M	\$0	\$176
Group A-C	\$49M	\$0	\$225M	(\$176M)
Total	\$185M	\$40M	\$225M	\$0

1993 Wire Center Study Data